



Economic Impact Analysis Virginia Department of Planning and Budget

24 VAC 22-40 – Independent Motor Vehicle Dealer Dealer-Operator Recertification Regulations

Motor Vehicle Dealer Board

July 28, 2009

Summary of the Proposed Amendments to Regulation

The Motor Vehicle Dealer Board (Board) proposes to require independent dealer-operators to every three years do one of the following in order to maintain licensure: complete a continuing education course or pass an examination. The Board also proposes to delineate the criteria for approved continuing education courses. The courses, and the examination, must cover the following topics: 1) ethical practice, 2) record keeping, 3) recent changes to state and federal laws and regulations, 4) relevant longer-standing federal regulations, 5) titling and registration requirements including use of dealer related license plates, 6) offsite sales, 7) financing, 8) dealer practices, 9) salespersons licenses, and 10) advertising.

Result of Analysis

There is insufficient data to accurately compare the magnitude of the benefits versus the costs. Detailed analysis of the benefits and costs can be found in the next section.

Estimated Economic Impact

Section § 46.2-1511 of the Code of Virginia states that “No license shall be issued to any independent motor vehicle dealer, ... unless the dealer-operator holds a valid certificate of qualification issued by the Board.” Among other requirements, § 46.2-1511 mandates that “applicants for an original independent dealer-operator certificate of qualification ... satisfactorily complete a course of study prior to taking the examination.”

The Board proposes to require that independent dealer-operators either complete a continuing education course or pass an examination every three years in order to maintain

licensure. The proposed regulations set out the criteria for Board-approved continuing education courses. Criteria include curriculum and a minimum of six hours of instruction. Under the proposed regulations, vendors may charge no more than \$250 to course participants.

Additionally, there is a \$25 fee to be paid to the Board. The Board anticipates that vendors will set a fee in the \$150- \$200 range, and that classes will be made available on-line and in community colleges. Courses on-line would of course eliminate travel costs. Given the expected fee range, opportunity to avoid travel costs, and keeping in mind that the proposed regulations will require completing a course once every three years, the average per annum cost for each dealer would be under \$100 plus the value of two hours of their time. The proposed examination would cover the same content areas required for the continuing education courses and would have a \$50 fee. Any independent dealer-operator taking and failing the exam would be required to complete a course in order to maintain licensure.

The proposed continuing education/ examination requirement will likely result in many dealer-operators becoming more cognizant of changes to federal and state laws (statutory and administrative) and court decisions, as well as being reminded of longer-standing law and procedures. To the extent that greater knowledge of the law leads to greater compliance with the law, Virginia's citizens will likely benefit through greater consumer protection and enhanced public safety. For example, dealer-operators are required to follow policies that are designed to detect and thwart identity thieves. Further, Federal Executive Order 13224 – "Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism" requires that dealer-operators "make an effort to ensure that they are not doing business with restricted individuals or entities." The Federal government maintains lists of restricted individuals. If dealer-operators encounter such individuals they are to report this information to the federal government. Thus, increased compliance with Federal Executive Order 13224 might help the tracking of potential terrorists. Since the overall level of current understanding of law by dealer-operators is not known, the magnitude by which their knowledge of the law may be increased cannot be accurately estimated with currently available information. Also, the extent to which greater awareness of the law will lead to greater compliance is also unknown. Thus the magnitude of the benefit of the proposed requirements cannot be accurately estimated, though it is likely significant.

Businesses and Entities Affected

The approximate 3,000 independent motor vehicle dealers in the Commonwealth are affected by the proposed regulations. All or nearly all are small business. Potential providers of continuing education for independent motor vehicle dealers are affected as well. The Board anticipates that at least two vendors will offer courses. Community colleges and the Virginia Independent Automobile Dealers Association are likely providers.¹

Localities Particularly Affected

The proposed amendments apply statewide and do not disproportionately affect particular localities.

Projected Impact on Employment

The proposal to require independent dealer-operators to complete a continuing education course (or pass an examination) every three years in order to maintain licensure will likely moderately increase employment for organizations that potentially will provide such services.

Effects on the Use and Value of Private Property

Under the proposed regulations, once every three years independent motor vehicle dealers would either have to: 1) pay a fee in the \$150- \$200 range to a vendor, a \$25 fee to the Board, and have at least six hours of the dealer-operator's time occupied in training, or 2) pass an examination and pay a \$50 fee.

Small Businesses: Costs and Other Effects

Under the proposed regulations, once every three years independent motor vehicle dealers would either have to: 1) pay a fee in the \$150- \$200 range to a vendor, a \$25 fee to the Board, and have at least six hours of the dealer-operator's time occupied in training, or 2) pass an examination and pay a \$50 fee.

Small Businesses: Alternative Method that Minimizes Adverse Impact

The proposal to allow licensees to test out of taking continuing education courses if they already possess the requisite knowledge does minimize adverse impact.

¹ Source: Motor Vehicle Dealer Board

Real Estate Development Costs

The proposed amendments are unlikely to significantly affect real estate development costs.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.04 of the Administrative Process Act and Executive Order Number 36 (06). Section 2.2-4007.04 requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.04 requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.